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NVPERS chief found numbers suited him

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Sitting at the helm of a \$21.5 billion state pension fund is a responsibility typically assigned to finance geeks.

But when Ken Lambert first arrived at the University of Nevada, Reno, he didn't exactly fit the mold for a future investment manager.

"I didn't really like math that much," Lambert said with a chuckle.

Lambert's aversion to numbers would change, however, after taking a class from UNR economics professor Tom Cargill. Soon after, he switched majors from marketing to finance, with a minor in economics thrown in for good measure.

"When I saw how math related to real-world economics, it really clicked for me and became fun," Lambert said. "It just sparked an interest in me, and I became fascinated with the financial system."

Lambert apparently was a quick study, parlaying his finance know-how into a job as an investment analyst for Smith Barney's Reno office when he graduated in 1994. It was during this time that Lambert saw an ad in the Wall Street Journal for an opening at the Nevada Public Employees' Retirement System.

As the son of former Nevada Assemblywoman Joan Lambert, Ken Lambert said he always had an interest in public service. He thought a position at NVPERS combined two of his passions and he decided to apply for the job.

The rest, as they say, is history with the former McQueen High student eventually rising to the position of investment manager.

Along the way, Lambert also earned some new designations, including chartered financial analyst and chartered alternative investment analyst with specialized knowledge in equities such as hedge funds. Interestingly, Lambert does not include hedge funds in NVPERS' portfolio.

"They just don't fit our risk-return profile," Lambert said.

Instead, he follows the same conservative philosophy that his predecessors practiced. That means not using leverage or debt to accelerate returns and no forays into fancy derivatives and other exotic financial products.

A look at NVPERS' current asset mix reflects an approach that has the fund at the bottom 23 percent of pension plans as far as risk:

40 percent in U.S. stocks, which are limited to established, high-quality companies

15 percent in international stocks from developed countries and no emerging markets

30 percent in U.S. bonds, with no junk bonds

5 percent in international bonds

This asset mix is one NVPERS has pretty much followed through good times and bad. Lambert describes it as the epitome of both simplicity and consistency.

"You can be smarter than other investors by knowing something they don't know, which is extremely difficult in today's market," Lambert said. "Or, you could be emotionally stronger than other investors and stick to a solid, long-term plan. I'd rather do a few things well than prove to people how smart I am by running a complicated program that invests in things like derivatives."

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The approach has helped NVPERS perform better than other plans during the global financial crisis, posting about a 15 percent loss compared to the state pension fund average of about 37 percent. It also helped NVPERS's assets bounce back to \$21.5 billion after falling as low as \$15.8 billion last March.

"One of the things about investment is that there are a lot of ways to skin a cat," Lambert said. "It all boils down to picking a strategy that matches your investment philosophy and risk tolerance. It doesn't mean other methods are wrong. It just means they don't match your investment philosophy."

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Abstract (Document Summary)

A look at NVPERS' current asset mix reflects an approach that has the fund at the bottom 23 percent of pension plans as far as risk: 40 percent in U.S. stocks, which are limited to established, high-quality companies 15 percent in international stocks from developed countries and no emerging markets 30 percent in U.S. bonds, with no junk bonds 5 percent in international bonds This asset mix is one NVPERS has pretty much followed through good times and bad.

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